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EXCHANGE OF INFORMATION AMONG DEVELOPING COUNTRIES' BANKS TO FACILITATE INDUSTRIALIZATION

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Preface

This document is one of several studies prepared by the Sectoral Studies Branch, Division for Industrial Studies, as a contribution to the preparation for the Fourth General Conference of UNIDO. They were used as input to the main background paper for agenda item 5(c) of this Conference, "Mobilization of Financial Resources for Industrial Development". A preliminary version of this paper was presented at the Third Conference of Banks from Developing Countries, held in Ljubljana, Yugoslavia, 6-8 July 1983.

Other titles include: "Proposals for reform of the international financial system: implication for industrial financing", "Types of finance for industry" and "The role of South multilateral institutions in industrial finance: patterns, problems and perspectives".

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ANNEX

I. QUESTIONNAIRE ON EXPERIENCE AND POTENTIAL OF INFORMATION FLOWS AMONG DEVELOPING COUNTRIES' BANKS 27

ECONOMIC AND TECHNICAL ABBREVIATIONS

TNBs	Transnational banks
TNCs	Transnational companies
ECDC	Economic Co-operation among Developing Countries

ORGANIZATIONS

UNIDO	United Nations Industrial Development Organization
FAO	Food and Agriculture Organization
ACCDC	Research Centre for Co-operation with Developing Countries, Ljubljana.
SWIFT	Society for World-wide Inter-bank Financial Telecommunication
JBMES	Yugoslav Bank for International Economic Co-operation

I. SUMMARY

Commercial and development banks in developing countries still appear to make only a modest contribution to the promotion of South-South co-operation. Undoubtedly, one reason is the lack of co-operation among these banks in exchanging information on industrial and other development projects.

The objectives of this paper were to identify major obstacles to this co-operation, to examine existing patterns of information flows among contemporary banking organizations, and to propose specific measures through which banks in developing countries could strengthen the exchange of information, particularly on industrial and other development projects.

A questionnaire survey (see Annex) pointed out that these banks are poorly informed on projects in other developing countries. They also rely heavily on information sources organized and managed by the big transnational banks, specialized agencies in developed countries, and by some international organizations. Nowadays, more than ever before, timely, comprehensive and reliable information has proven to be an essential element of efficiency and power in economic institutions - including the biggest banking organizations. If banks are to become a force in the strengthening of South-South economic co-operation, they have to improve the entire process of the acquisition, analysis, exchange, and dissemination of information. Such information should relate to the economic potential of each country, the regions, as well as to the potential of South-South co-operation.

To improve their performance these banks have to concentrate primarily on the following categories of information:

(a) Basic country information;

(b) Information on specific industrial and other development projects;

(c) Information on references of firms.

Commercial and development banks in developing countries can substantially improve their information exchange by the full utilization of existing resources (personnel, equipment, and channels of communication). However, in most cases some investment and additional effort is required. Given the material limitations in the developing world, there is also a need for the pooling of resources in this area of activity. Therefore an information system for development projects should link up with and exploit all the existing facilities, be it national, region or international. Furthermore, special attention should be paid to establishing or strengthening subregional and regional information systems. These should be properly linked up among themselves, as well as with information systems operating within international organizations such as the United Nations Industrial Development Organization (UNIDO), the Food and Agriculture Organization (FAO) and in particular the World Bank.

In developing countries development banks should have the leading role in the establishment of such an information network, involving whenever necessary and possible, all commercial and other banking institutions. Of course, the support of the central banks and Governments would be indispensable.

Some basic, guiding principles of an information system for banks in developing countries are the following:

(a) General orientation of the system to be conducive to strengthening individual and collective self-reliance in developing countries;

(b) Design of the system to be adjusted to financial, personnel, technical, and organizational capabilities of these banks;

(c) Participation to be open to all interested parties but initially it would be preferable to rely primarily on those banks from developing countries which have already expressed a strong interest for active participation in the system;

(d) Stability and continuity of co-operation among the members of the system;

(e) Confidential treatment of information on concrete projects.

II. BACKGROUND, OBJECTIVES AND METHODOLOGY

Banks in developing countries - particularly the commercial ones - have so far had a very modest involvement in promoting and supporting South-South economic co-operation. Before attempting to identify the causes for this phenomenon, and searching for mechanisms through which these banks could contribute more, especially in the field of information on development projects, a reminder is in order. The fact is that banking institutions in developing countries have only recently received proper attention within the action programmes of the Group 77 and the Non-Aligned Movement.

Inadequate awareness of the "South-South dimension" was a major feature also of the Group of 24, which has only lately started to concern itself with issues of financial and monetary co-operation, among developing countries. Particularly since the Caracas Ministerial Conference on ECDC, the role of banks in these countries has received increasing attention. Within this framework, it is emphasized that such banks should strengthen their mutual co-operation.[1/]

1/ At the Fifth Summit Conference of the Non-Aligned Countries (Colombo 1976) a proposal was made for a meeting of representatives of finance ministries and central banks in order to consider forms and mechanisms of co-operation and association of developing countries' commercial banks, particularly in the exchange of information, experiences in banking policies, training of personnel and the use of each others' currencies in their commercial exchange. In Caracas (1981) much attention was paid to increasing the awareness of investment opportunities among developing countries, and particularly to the dissemination of information on development projects.

In the reports of all three conferences of banks from developing countries (held in Ljubljana, in 1978, 1980 and 1983) several proposals have been made with regard to closer co-operation among these banks, including the establishment of a network for exchange of information on development projects.

This paper is concerned with a specific aspect of co-operation among banks in developing countries, namely information on development projects particularly within the framework of industrial financing. The basic objectives of this paper are the following:

(a) To analyse the present scope and characteristics of information flows among banks in developing countries;

(b) To identify major obstacles which prevent the expansion of co-operation among their banks in the field of developing projects;

(c) To suggest ways and forms which would stimulate exchange of information among banks from developing countries, particularly in the field of development projects.

Within these basic objectives, the paper will attempt to provide, at least, some answers to the following questions?

(a) How strong is the dependence of banks from developing countries on the information obtained from developed countries;

(b) What are the advantages of transnational banks (TNBs) as compared to banks in developing countries in the field of information on development projects;

(c) What sort of information would the banks from developing countries need to be better informed on projects in their own countries;

(d) Which channels do these banks use to acquire information on development projects?

Furthermore, the paper will try to identify some possibilities in formulating policies that will encourage the exchange of information with banks from other developing countries, bearing in mind the fact that banks are economic entities guided by basic business principles.

Thus the exchange of information on development projects would become an important instrument in restructuring the position and role of developing countries in the international division of labour, by strengthening their collective and individual self-reliance. It should not be underestimated that this is to be a significant contribution to efforts in the establishment of the New International Economic Order.

By a more intensive exchange of information on development projects, these banks could reach the following goals:

(a) Increase participation of firms from developing countries in the preparation and realization of development projects in other developing countries;

(b) Lessen the dependence of banks in developing countries on information acquired from developed countries. These data are sometimes adjusted to the interests and/or possibilities or national economies in which they are generated;

(c) Improve the negotiating position of banks in developing countries vis-à-vis partner banks from developed countries in the co-financing of development projects;

(d) Reduce the risk-factor in their current operations;

(e) Contribute to the strengthening of collective self-reliance in the mutual co-operation of these banks in line with the principles of the New International Economic Order.

The empirical base for this paper is the data obtained directly from 15 banks in developing countries through the above-mentioned questionnaire (see Annex). This questionnaire was prepared by the Research Centre for Co-operation with Developing Countries, Ljubljana, (RCCDC), in co-operation with UNIDO and sent to more than 60 banks.

In selecting these banks an attempt was made to arrive at a fair balance in respect of their field of activity (commercial and development banks), as well as with regard to their regional distribution. The fact that only 25% of the selected banks filled the questionnaire should, in our opinion, be attributed to the general reluctance of banks to furnish information on their activities and priorities. It maybe also be due to the lack of interest in the subject.

The structure of the 15 responding banks is the following:

(a) by profile:

  (i) Ten commercial;

  (ii) Four development;

  (iii) One combined.

(b) by region:

  (i) Four, the Arab World;

  (ii) Four Africa, south of the Sahara;

  (iii) Three Asia;

  (iv) Three Europe;

  (v) One Latin America.

(c) By nature of ownership:

  (i) Twelve national;

  (ii) Three regional.

Apart from the questionnaire, existing UNIDO material was used, particularly those related to the establishment of the Technological Information Exchange Network, material from regional associations of finance institutions,[2/] and other international finance institutions. Documents

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2/ Association of African Development Finance Institutions; Association of Development Financing Institutions in Asia and the Pacific; Latin American Association of Development Financing Institutions.

of the Yugoslav Bank for International Economic Co-operation, as well as the experience of the RCCDC gained in the collection, processing and dissemination of information on the possibilities of co-operation between Yugoslavia and other developing countries in carrying out development projects in these countries were also utilized.

Another source of empirical data were interviews conducted with representatives of banks from developing countries at the Third Conference of Banks from Developing Countries, held in Ljubljana, Yugoslavia in July 1983. These have proven to be an efficient way of collecting the required data. It may be concluded that interviews are a much more effective form of data collection than questionnaires sent by mail, especially as far as the banking sector is concerned. This stems from the fact that in view of the nature of their operations, banks are rather restrictive with regard to providing data on their activities.

III. THE IMPORTANCE OF INTER-BANK CO-OPERATION IN DEVELOPING COUNTRIES AS A CONCRETE FORM OF ECONOMIC CO-OPERATION

In the present unfavourable economic-financial situation in the world, developing countries are increasingly demanding for changes in the international financial order. However, one major pre-occupation for these endeavours is, undoubtedly, the strengthening of their own co-operation in the financial field.

The results of financial co-operation among developing countries to date, are quite limited. The main reason for such a situation is the existing gap between macro-economic and political orientation of developing countries (which is increasingly motivated by the principles of individual and collective self-reliance) on the one hand, and the concrete economic policies in daily practice on the other hand. In other words, current policies are often not

sufficiently co-ordinated or in harmony with the macro-economic and political orientations of these countries. Therefore micro-economic entities, including banks, are not sufficiently interested and motivated to do business with their counterparts in other developing countries.

Moreover, in developing countries, the adoption of economic policy measures, as well as their implementation, are often late in comparison with the existing micro-economic initiatives and interests. This is another reason why, within the framework of the generally adopted policy of collective self-reliance, the implementation of related business activities proves to be even more difficult.

Making the accepted macro-economic policies operational is regarded as a pre-occupation for the expansion of economic, and therefore equally the financial co-operation among developing countries. In this regard, promoting contacts among commercial and development banks from developing countries certainly represents one concrete form of co-operation by these countries at the micro-economic level.

Co-operation among banks from developing countries, as well as other areas of economic collaboration, are functionally very closely inter-linked. This means that co-operation among banks from developing countries is determined by the extent of co-operation in general between these countries.

Inter-bank co-operation which constitutes an important element in the expansion of economic co-operation has much potential in developing countries where banks - and development banks in particular - are closely connected to the State. Banks may be used by Governments to enforce certain economic policy measures in order to stimulate various forms of economic co-operation with other developing countries.

Practically every single preferential measure (in favour of mutual co-operation) requires some financial means, which must be made available to the entitled users in one or several developing countries through the banking systems. Therefore, it is evident that inter-bank co-operation is extremely important for the implementation of the policies of greater collective self-reliance in developing countries.

IV. THE RELATIONSHIP BETWEEN THE EFFICIENCY OF BANKING OPERATIONS AND COMPLETE AND TIMELY INFORMATION

Information is the central point of every decision-making process as it provides knowledge about different alternatives, and lessens the risks involved. The great importance of complete and timely information in making business decisions has been recognized by bankers since long ago. It is, therefore, hardly a coincidence that the first newspaper in Europe was published by a bankers family back in the 16th century.3/

In our time the great dependence of the banking sector upon information is manifested inter alia by a close link of banks with the producers of equipment for data processing and the dissemination of information. Owing to the large capital requirements of this industry, it is understandable that these firms are keenly interested in close co-operation with banks. Simultaneously, banks have become one of the best customers of their products. The convergent interests of the large transnational banks (TNBs) and transnational companies (TNCs) engaged in the production of these equipment enable such banks to monopolize the disposal of an increasingly important part of the entire available stock of information.

By introducing modern computer technologies into the processing and

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3/ Hamelik, Finance and Information, (Norwood, ABLEX Publishing Corporation, 1983), p.51.

transfer of information, the transnational banks have become strong enough to create their own complex information systems and enormous data bases. Thus, for instance, Chase Manhattan is the owner of three information systems (Chase Econometrics Associates Inc., Chase World Information Corporation, Interactive Data Corporation), disposing of data on 120 countries. These data are accessible to subscribers; thus the sale of information becomes an important source of income for the banks which operate such systems.

Moreover, transnational banks also extensively use other information systems only accessible to banking circles. These systems are either completely closed and used exclusively by the bank establishing such a system, or inter-bank, in which several banks share. Examples of closed banking information systems are: Chase Manhattan Private Communication System; or GLOBECOM, a system owned by Citibank (connecting its overseas offices in more than 100 countries). As examples of inter-bank information systems the following could be cited: Eurex, and Society for World-wide Inter-bank Financial Telecommunications (SWIFT).4/

Banks in developing countries should try to improve their selective use of as many information sources as available from transnational banks, since they are generally very good sources of information. On the other hand, leaning too much, or entirely upon information from these sources could have severe negative consequences. Thus greater efforts must be made by banks in developing countries to obtain information from other sources. One such source is undoubtedly the direct exchange of information among the developing countries' banks, themselves.

4/ The system referred to above is discussed in detail by Hamelik see note (3).

V. NECESSITY OF THE EXCHANGE OF INFORMATION AMONG DEVELOPING COUNTRIES' BANKS WITH A FOCUS ON DEVELOPMENT PROJECTS

Information on development projects represents the type of data which banks in developing countries should exchange among themselves with the aim of promoting economic co-operation. This should particularly involve those economic entities which will co-operate in the preparation and execution of industrial and other projects in developing countries.

The results of the survey carried out indicate that the majority of commercial and national development banks lack information on development projects in developing countries. The following is a breakdown of answers to the question whether the bank is furnished satisfactorily with information on development projects in other developing countries:

Commercial banks		Development banks			
		National		Multilateral	
Yes	No	Yes	No	Yes	No
2	8	0	2	2	1

Better exchange of information on development projects, would enable these banks to acquire information needed by their executive boards in the formulation of future policies. Simultaneously, they could serve as an important source of information for interested companies in their countries on their possible participation in the economic development of other developing countries. In this sense, the developing countries' banks would play an important catalytic role in establishing contacts among economic entities in their countries, such as investors, construction companies, suppliers of equipment, consulting and engineering firms, etc.[5/] The importance of this

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5/ Such a function is to a great extent already carried out by developed countries' banks. Their role has since long ago surpassed the narrow limits of conventional banking operations. So they provide consultancy and other services related to the performance of their clients on the domestic and foreign markets.

catalytic role of banks in promoting overall economic co-operation among their countries is much greater because small and medium-sized companies are typical for developing countries. Therefore, they do not have the capability of independent systematic collection of information needed to initiate concrete forms of co-operation with "partners" from other developing countries.

Strengthening of economic co-operation among developing countries can be enhanced by proper exchange of information on scientific, technological, and production capacities of individual countries. This will help the interested and capable firms in their preparation for investment projects, as well as the establishment of joint consultancy and engineering organizations in developing countries. On this basis the development of other forms of economic co-operation and joint performances on international markets is to be expected too.

VI. SOURCES OF INFORMATION ON DEVELOPMENT PROJECTS USED BY THE DEVELOPING COUNTRIES' BANKS

A. Primary sources of information

1. Field information gathered through personal contacts

Data gathered through personal contacts of diplomats, trade commissioners, representatives of banks and companies; through special missions and visits undoubtedly represent an important source of quality and up-to-date information on development projects, planned or already executed.

Regardless of the quality of such information, the developing countries and their banks, have, in comparison to developed countries, less possibilities for their effective utilization. The following are the major causes for this bottleneck:

(a) The relative number of various representatives of developed countries in developing countries is much larger than the number of those from developing countries;

(b) The educational background of employees and the organization of their work in the above-mentioned representative offices of developed countries is usually much better than in their counterparts from developing countries;

(c) Representative offices of developed countries usually possess better infrastructural facilities and are in a more favourable financial situation than the offices of developing countries. This enables them to work more systematically particularly when they have a greater number of specialized personnel;

(d) The number of business travels and visits from developed countries to developing countries is much greater than the corresponding number between developing countries. Study and business visits of the developed countries are also often professionally better prepared than from developing countries;

(e) Co-operation among similar representative offices from developed countries in gathering and disseminating information is much more advanced than among the representative offices from developing countries;

(f) Developed countries often use numerous professionals from the developing countries, educated in these countries, who may hold important positions in Government or business in developing countries.

2. Information gathered through local written sources

Data on development projects gathered through local newspapers, various bulletins, reports, and other information published by the ministries, banks, chambers of commerce, etc., also represent an important source of information. These sources are available to a wide circle of interested individuals and firms, and are the necessary element of over-all information on business possibilities in a particular country. The practical value of this information is often reduced because of incompleteness or inaccuracy, and thus relying exclusively on these sources of information on development projects is not advisable. Such information becomes useful when complemented with personal contacts which offers the possibility of double-checking. Without doubt, personal presence is of essential importance to obtain good information on the economic situation in a country, and particularly so about specific development projects.

Since developing countries are not always in a position to complete the information gathered from local written sources by personal contacts, they often rely on secondary sources of information, usually from developed countries.

B. Secondary sources of information

1. Information gathered through international development banks and funds

The information gathered and disseminated by international development banks/funds on development projects is of vital importance to developing countries and their banks. International development banks/funds regularly supply information on development projects to banks in all member countries so that, formally, all member countries are in an equal position to participate in the projects.

The under-representation of developing countries at all levels of these institutions gives the enterprises from developed countries an additional advantage in the utilization of such information. Furthermore, member countries with a stronger representation network in developing countries (these are again the developed countries) in which the project will be carried out, have much better chances of establishing the necessary contacts with the respective investor. This enables them to offer the consultancy services which are usually required in the initial phases of an industrial or other development project.6/

Besides that, insufficient marketing information also lessens the participation of developing countries in the realization of developing projects in other developing countries, in spite of the preferential treatment and the possibilities of collaboration with local partners.

2. Information gathered from information sources in developed countries

In the process of penetrating markets in developing countries the TNCs and other companies from developing countries have started systematically to gather information on all crucial characteristics of the socio-economic and political development of these countries. On the basis of this systematic gathering of information, some specialized information systems have developed. Within these systems an important segment represents the information on development projects, planned or in the stage of execution in particular developing countries.

6/ The activities of consulting companies of the developed countries in developing countries provides an excellent opportunity for gathering information. Owing to their relatively scarce consulting services, this possibility does not exist between developing countries themselves.

Owing to the limited possibilities of banks in developing countries and other economic institutions to gather data on development projects in developing countries through primary sources of information, these information systems have become an important source. Thus, the share of secondary information sources within the over-all collection of information by economic entities in developing countries, is substantially larger than in developed countries.

These information sources are undoubtedly very useful, especially when utilized in a systematic and analytical manner, but when applying them their weaknesses must be taken into consideration. It is important to note that all these systems reflect to some extent the specific commercial interests and technological capability of the country from where the system is operating. This is reflected also in the selection of countries, as well as in the selection of economic sectors for which information on development projects is being gathered and disseminated. In spite of the usefulness of this secondary source of information on development projects for economic entities of developing countries, the above mentioned deficiencies point out that it should neither be their exclusive, nor their dominant source.

VII. MODALITIES AND INSTRUMENTS OF EXCHANGE OF INFORMATION ON DEVELOPMENT PROJECTS AMONG DEVELOPING COUNTRIES' BANKS

The above title refers to a very large spectrum of exchange of information among banks from developing countries, linked directly or indirectly to development projects. Accepting this definition of the term, the information on development project can be divided into the following three types:

(a) Basic country information;

(b) Information on a specific development project;

(c) Information on references of individual firms.

A. Basic country information

A bank in a developing country wishing to establish or further develop its co-operation with banks and other economic entities in other developing countries has to obtain basic data relating to these countries. In addition to the data on geographical characteristics, major economic resources, and basic characteristics of its socio-economic system, the bank should primarily acquire data determining the economic-financial profile of the respective country. To define this profile, it needs information relating to the economic system of the country as well as its macro-economic aggregates. Within the framework of the latter, data giving an insight into the patterns and trends of its foreign economic relations is of special interest.

For banks from developing countries wanting to co-operate with partners from the developing world, some of the most pertinent information is related to the over-all development plans of these countries. A development plan is the most important document because it gives an insight into the basic objectives of the socio-economic development of the respective country over a period of time. The plan usually contains also the strategy to be applied in the realization of these objectives. Of course, there are great differences in such plans of developing countries - generated in the first place by different potentials and objective conditions in individual countries.

With regard to the exchange of information among banks in developing countries, the most important differences in their plans are the following:

(a) The difference in the accessibility of the data on development plans; in a number of developing countries the development plans are considered as confidential documents. Therefore only the basic elements of these plans are accessible, while in other

developing countries there is no problem to obtain the integral texts of their economic development plans;

(b) The differences with regard to the binding or normative character of the planning documents; namely the development plan in some developing countries is legally binding. Thus it sanctions the economic entities' liability for the realization of the plan, while in others the development plan is considered more as an indication, a set of guide-lines, or the projection of a possible development for the following period;

(c) The difference in the level of quantitive definition of the plan's targets. While in the development plans of some countries these targets are to a considerable extent quantitatively determined, in others they are more a collection of quantitatively determined targets which a country should reach in the realization of its development plan.

Of greatest importance for the exchange of information among banks from developing countries on development projects would be the following:

(a) Over-all value of the foreseen investments and their timetable;

(b) The volume of expected financial resources for the planned investments. Information on the expected participation of multilateral financial institutions is of special importance;

(c) Priorities of development plan according to sectors and branches (possibly a list of projects to be undertaken in a planned period);

(d) Global development plan targets and general development proportions (intersectoral relations, linkages, etc.).

By distributing basic information on their economies, as well as by updating information on development plans, the banks from developing countries would ensure an additional reliable source of primary information. This would confer great benefits not only on the promotion of inter-bank co-operation among developing countries, but also on the over-all economic co-operation of the countries concerned.

While preparing such information, the banks should make better use of specialized local research institutions disposing of relevant economic and technical information.

B. Information on specific industrial and other development projects

A variety of information systems on industrial and other development projects are operated within the United Nations and outside. The World Bank together with regional development banks regularly disseminate data to interested banks. Information centres and associations publish them in various periodicals, such as Development Forum-Business Edition, New Construction, International Construction, Tiers Monde-Ingénierie, etc. However, there is still room and need for the development of a direct, timely and reciprocal exchange of information on development projects among banks from developing countries.

Comprehensive information on development projects should include a continuous rendering of data on all relevant features of such projects. This means that countries should be mutually informed on all phases of the so-called project cycle - from the identification, preparation, assessment of feasibility,

contracting, execution, and supervision, to the evaluation of the project as a whole. In each phase specific data and information are needed in order to enable the foreign partners to effectively participate in the project.

Potential partners are far more interested in information on the initial phases of a project cycle, i.e. mostly in identification and feasibility of a project. A complete and up-to-date inter-bank information system in developing countries could become an extremely important means of informing firms on development projects foreseen or soon to enter into implementation stage. Thus interested firms could contact investors directly to ask for additional information needed to decide on participation as early as at the time of the preparation of pre-feasibility and feasibility studies.

Additionally, banks from developing countries stress the need for the exchange of relevant information at all stages of the implementation of a project which could influence its success and lessen the risks related to the invested capital. Results of the final phase of the project cycle, i.e. its evaluation are also keenly sought. Great interest for evaluation results was expressed in the replies to the questionnaire. Naturally, bankers wish to learn from experiences gained in financing past industrial and other development projects thus lessening their own risks in financing similar projects.

The following answers were received to question No. 6; "What type of information on development projects would your bank wish to receive from other developing countries' banks".[7/]

7/ In their answers some banks have stated only one type of information they would wish to receive from other banks, some banks expressed a wish for two types of information and some for all four types of information.

Type of information	Commercial banks	Development banks	
		National	Multilateral
- Preliminary information on possible projects (6.1)	6	1	3
- Early notice on projects selected by government or other investors (6.2)	4	0	2
- International bidding terms for projects (6.3)	3	0	1
- Other (6.4) a/	5	0	1
Total respondents	10	2	3

a/ As many as five banks have expressed specific interest in receiving information on the results of developing projects, including the reasons for failure or success.

C. Information on references of firms

References of potential partners constitute an important part of information on development projects. In order to lessen their risks, commercial banks and their clients must collect the most reliable information on possible partners. Owing to their insufficiently developed information systems, and because of their limited co-operation, the developing countries' banks usually acquire this information from financial centres in developed countries and the TNBs. In spite of the "reliability, promptness, and objectiveness" of this information (due to their extremely advanced information system), the banks from developing countries should, nevertheless, consider the ways and means of exchanging direct information on their partners' references.

VIII. CONCLUSION

It seems that the development banks in general, and commercial banks in particular, accept reluctantly the introduction of all new systems which are not commercially attractive in the short run. This was clearly manifested in the answers to the questionnaire on the exchange of information on development projects among banks from developing countries. The majority of respondents expressed preference to exchange of information with other banks through already established channels, especially stressing contacts among the representatives of banks, and their mutual information through bank reports.

Out of the 15 responding banks, 9 preferred the use of existing channels (5 development banks and 4 commercial banks). Commercial banks seem to be interested mostly in ad hoc exchanges of information.

With regard to the idea of setting up a comprehensive information system among developing countries' banks, there seems to be substantial interest (only one commercial bank expressed reservations). However, further elaboration of the idea is needed in order to obtain active participation of a critical mass of banks in the launching of such a system.

Mutual co-operation among banks from developing countries, and co-operation in the field of the exchange of information on industrial and other development projects, is an absolute necessity in the long run. However, it may be difficult to define the commercial benefits of this co-operation in a short period of time. In developing such co-operation there must be awareness of the fact that the banks exchanging this information represent also potential rivals to one another, if not directly, then indirectly - through the competition of their clients attempting to acquire a share in projects. In

spite of all this, banks from developing countries should endeavour to overcome difficulties emerging from possible competition, and create favourable positions vis-à-vis competitors from industrialized countries.

The experience of banks in developed countries has proven the indispensability of some organized pattern of co-operation in the exchange of information. The systems of co-operation among industrialized countries in the field of information cannot directly serve as a model for developing countries. However, they certainly should be taken into account, after careful study and proper evaluation. Such a process could lead to the establishment of a permanent system of co-operation to exchange information on development projects.

The basic characteristics of developing economies in many ways differ from the characteristics of concrete development projects. Therefore, they should necessarily be taken into account in analysing the kind of required system for exchange of information among banks from developing countries.

A. The exchange of basic country information

The term "basic country information" by itself already points to the profile of this category of information, its objective being to inform the partners within developing countries on fundamental parameters of economic development in individual countries. Given the characteristics of these data, they should be disseminated periodically to a wide circle of developing countries' banks.

To generate basic information on national economies would not require major investments by developing countries' banks, because they could mostly be prepared by the existing staff and disseminated through already established channels.

When gathering basic information on their economies, the banks from developing countries should, whenever possible, involve the relevant national research institutes in this activity. Furthermore, it is possible that banks encourage an appropriate division of labour at the national level. In this way each bank would - in its basic information, disseminated to others - give special emphasis to only certain, previously agreed areas.

As an outlet for this kind of information, a bank could use the publications it already issues. Banks already have some experience in this field, although the information published in their annual reports are usually limited to economic trends in the reporting period.

In order to become as complete as possible, basic information on national economies should include - besides economic trends for the previous period - also information on major characteristics of the development plan, and trends in its implementation. In addition, the information on scientific, technological, and production capacities of a country would be of great importance for the easier identification of possibilities for economic co-operation among the respective countries. This would certainly be relevant in the case engaging firms in the preparation of industrial and other development projects (pre-feasibilility and feasibility studies, engineering and consultancy services).

It is clear that in the system of mutual exchange of information among developing countries' banks, all interested development and commercial banks could be included. The system would be founded on the actual possibilities of these banks and making use of already established and satisfactorily operating channels for exchange of information.

B. The exchange of information on development projects and on references of firms

Contrary to the general system which would engulf both development and commercial banks, the proposed information system on the exchange of information on development projects is relevant mainly to development banks. This means that commercial banks will not receive information on development projects in which some of their clients might be interested.

Appropriate consent is, of course, the necessary condition for the establishment of this system among developing countries' banks. For the beginning, however, it would be sufficient that only a few development banks reach such an agreement, while in due course the system would expand by incorporating a greater number of interested development banks.

The information system on development projects among banks in developing countries could begin operations by exchanging basic data on the kind, location, value, and technical characteristics of the development projects for which foreign partners are sought. Mutual information on a specific development project could be exchanged through the system by:

(a) The development bank of the country in which the project will be implemented;

(b) A development bank of any other developing country participating in the system and interested in receiving information on a particular project;

(c) A development bank of any other developing country participating in the system, already taking part in the financing of similar projects and willing to offer technical assistance to the project.

The exchange of information on development projects would circulate exclusively among development banks participating in the system, thus ensuring confidentiality. Within this closed system the banks would probably also be willing to exchange information on their experiences in financing individual projects. The exchange of experiences would be of great importance to these banks and finally to their countries.

In the second stage of dissemination, the development banks - members of the system - would distribute the information to those commercial banks and firms which might be interested in the particualar project. At this stage the system should also include those commercial banks through which the interested firm would ask for additional information on the project.

Annex

Questionnaire

on experience and potential of information flows among developing countries' banks

1. Name and address of the bank:

2. Name and position of the respondent:

3. What is your bank's profile?

   3.1 A development bank

   3.2 An export credit institution

   3.3 A specialized investment bank

   3.4 A regular commercial bank

   3.5 Other type of bank, please describe briefly:

4. Is your bank paying particular attention and granting preferential treatment to transactions with developing countries:

   4.1 No
   (please explain):

   4.2 Yes
   (please explain the instruments of preferential treatment):

5. Is your bank furnished satisfactorily with information on development projects in other developing countries?

5.1 Yes
(from what sources):

5.2 No

6. What type of information (on development projects) would your bank wish to receive from other developing countries' banks?

6.1 Preliminary information on possible projects

6.2 Early notice on projects selected by government or other investors

6.3 International bidding terms for projects

6.4 Other
(please specify):

7. Is your bank willing to contribute in order to improve information flows among developing countries' banks? If so, in what way:

7.1 Inter-bank exchange of information on an ad hoc basis
(please explain):

7.2 Regular exchange of information through existing channels (representative offices, contacts between bank officials, distribution of the banks' bulletins, etc.)
(please explain):

7.3 Setting up a bank information network
(please explain):

For the guidance of our publications programme in order to assist in our publication activities, we would appreciate your completing the questionnaire below and returning it to UNIDO, Division for Industrial Studies, P.O. Box 300, A-1400 Vienna, Austria

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Q U E S T I O N N A I R E

Exchange of information among developing countries' banks to facilitate industrialization

		(please check appropriate box) yes	no
(1)	Were the data contained in the study useful?	☐	☐
(2)	Was the analysis sound?	☐	☐
(3)	Was the information provided new?	☐	☐
(4)	Did you agree with the conclusion?	☐	☐
(5)	Did you find the recommendations sound?	☐	☐
(6)	Were the format and style easy to read?	☐	☐
(7)	Do you wish to be put on our documents mailing list? If yes, please specify subjects of interest	☐	☐
(8)	Do you wish to receive the latest list of documents prepared by the Division for Industrial Studies?	☐	☐

(9) Any other comments?

Name:
(in capitals) .....

Institution:
(please give full adress) .....

Date: .....